

Distinguishing the Processing Trade in the World Input-Output Table: A Case of China

Topic: Trade and Value Chains

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Empirical studies show that the input structures of processing trade and non-processing trade are significantly different for a specific product. For instance, the former uses more imports than the latter in the production. Studies based on national input-output tables have verified that a large bias could be caused in trade accounting if this heterogeneity is neglected. Therefore, distinguishing the processing trade is very important for countries with high shares of processing trade, such as China. As the prevalence of trade in value added and global value chain, many efforts have been made on compiling world input-output tables in recent years. As far as we know, however, all the well-known world input-output tables do not distinguish the processing trade. Considering the importance of China in international trade, this study attempts to distinguish China's processing trade in the world input-output table and to investigate the effect of this treatment on accounting results. We choose 2007 world input-output table as an example. The world input-output table by product is obtained from the World Input-Output Database (WIOD) since its supply and use tables are published on the website. The information on processing trade is obtained from the so-called DPN input-output table of China and the General Administration of Customs of China. Finally, a preliminary input-output analysis is made on our extended 2007 world input-output table, and the results are compared with those calculated from the original world input-output table.